



# City of Detroit - Restructuring Plan

## Mayor's Implementation Progress Report

March 2013

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## Mayor Bing has a viable Restructuring Plan to address the financial issues facing the City of Detroit

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- Although the Mayor's plan has evolved, it has remained consistent during the last 12 months
- The Mayor's Restructuring Plan has been developed with consideration given to all City of Detroit constituents
  - Citizens / Tax Payers
  - Users of City Services
  - Creditors
  - Employees
- The Mayor's Plan is focused on the following 3 key elements:
  1. Quality of Life / Detroit Future City Project
  2. Financial Stability
  3. Long-Term Liabilities
- Implementation of the Plan has faced numerous impediments, including:
  - Charter restrictions
  - City Council actions and inactions
  - Corporation Counsel challenges
  - Legal challenges
  - Complexity of collective bargaining process

# Mayor Bing's first priority is to improve the quality of life for Detroiters by maintaining and enhancing the delivery of Core Services to residents and Stabilizing Neighborhoods

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## 1. Quality of Life / Detroit Future City Project

### a) Public Safety

#### Police

- Redeployed and reassigned police officers to patrol areas with higher reports of criminal activity
- Moving an additional 100 officers to the streets or to criminal investigations
- Opened 8 mini-stations and will be opening 6 more this month
- Implementation of cease-fire program to combat youth violence in Detroit

#### Fire

- Obtained FEMA grants totaling \$30 million to pay two years of salaries and benefits for department
- Launched Active and Safe campaign to raise \$45 million for equipment and technology
- Construction of new Public Safety headquarters underway

### b) Transportation

- Reduced general fund subsidy by ~\$5 million-\$10 million (approximately 10%)
- Achieving 95% peak pull out to meet service demands, up from 67% prior to management changes
- Improved on-time bus service and implemented 4-15 plan
- Launched TextMyBus "50464" and Stop313 app for Android and iPhone users

# Mayor Bing's first priority is to improve the quality of life for Detroiters by maintaining and enhancing the delivery of Core Services to residents and Stabilizing Neighborhoods

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## 1. Quality of Life / Detroit Future City Project (continued)

### c) Public Lighting

- Created the Public Lighting Authority to invest \$160 million in upgrading the lighting system
- Installed 3,000 new lights between I-375 and St. Aubin
- Significantly increased lighting from Outer Drive to Rouge Park
- Relamped lights bordering Conner, Kercheval, Alter Road, and Detroit River

### d) Recreation

- Launched the Active and Safe Detroit campaign to raise \$24 million for recreation centers to enhance programming while reducing the net cost to the City; secured \$16 million in pledges to date
- All 17 recreation centers have remained open and available to residents, serving 400,000 visitors per year
- Public-private partnership developed to re-open the Belle Isle Aquarium after being closed for 6 years

### e) Blight

- Demolished nearly 6,700 abandoned structures in neighborhoods
- Launched first public/private partnership with Blight Authority
- Demolished former Ford Auditorium building, which had been vacant for over 20 years
- Secured over \$10 million of funding for demolition of former Brewster/Douglas public housing site

# Many revenue and cost saving initiatives have been implemented and others have been identified to address the City's \$150 million annual structural deficit

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## 2. Financial Stability

### a) Revenue enhancement initiatives (~\$50 million)

- Income tax enhancements in the areas of processing, compliance and collections
- Income tax amnesty program launched
- Enhanced billings and collections related to Fire Marshal, BSEED, PLD
- Increased corporate income tax rate
- Grants – obtained new revenues from public safety grants and implemented grants management system

### b) Achieved cost saving initiatives (~\$150 million)

- Implementation of City Employment Terms
- Achieved headcount reductions (from 13,420 in FY 2009 to under 10,000 currently)
- Transition of 3 departments to external entities
- Negotiated vendor concessions resulting in ~\$10m in savings
- Identified and implemented short term liquidity enhancement measures

### c) Identified future cost saving initiatives (in process)

- Engaged professional restructuring/banking advisors
- Developing 10-year financial plan
- Developing healthcare reform strategy for actives and retirees
- Developing pension reform to address annual contributions and unfunded liability
- Payroll outsourcing
- Workers Comp fraud audit
- Dependent audit
- Departmental operational reviews
- Asset monetization strategies

## The Mayor's plan includes strategies to implement changes that will significantly reduce general fund long-term liabilities

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### 3. Long-Term Liabilities

#### a) General fund debt obligations (including POCs)

- General fund debt outstanding including POCs at the end of this fiscal year will be \$2.4 billion, \$400 million lower than five years ago
- Approximately \$6 billion of City debt is owed by the Water and Sewer Department, and does not have an impact on the general fund

#### b) Pension unfunded liabilities

- Approximately \$650 million of unfunded liability as of FY 2012, of which only \$250 million relates to general fund
- The City is developing a plan to reduce the unfunded liability

#### c) Retiree medical unfunded liability

- Approximately \$6 billion of retiree medical benefit obligations
- The City is currently developing a plan to significantly reduce this liability

# Progress Dashboard - The City has made significant progress during the last 12 months towards the implementation of its Restructuring Plan

## Legend

- ✓ Completed
- In process
- × Limited progress

FINANCIAL STABILITY AGREEMENT ANNEX B	Initiative	Ref.	Initiative	Ref.
	<b>Financial Stability</b>		<b>Quality of Life</b>	
	<ul style="list-style-type: none"> <li>▪ Income tax collection / amnesty program A1</li> <li>▪ Long-Term Liability restructuring A2</li> <li>▪ Revenue cycle: fines, PLD and vital records A3</li> <li>▪ Payroll system upgrade - outsourced to ADP A4</li> <li>▪ Operational review of departments started A5</li> <li>× Risk Management</li> <li>▪ Workers Comp – conducting fraud audit A6</li> <li>× Integration of budget, acctg. and financial systems</li> <li>▪ Bank project to improve A/P and A/R process</li> <li>▪ Asset sales – non-core assets identified A7</li> <li>✓ Resourced grant management function A8</li> </ul>		<ul style="list-style-type: none"> <li>▪ Fire Department – aligned staffing to par requirements A11a</li> <li>× EMS</li> <li>▪ Fire Authority A11b</li> <li>▪ Police Dept. – 12-H shifts, civilianization and verified response A12</li> <li>▪ Recreation Department – rec. center plan to reduce net tax cost A13</li> <li>✓ Transition of Health and Wellness A14</li> <li>✓ Transition of Human Services departments completed A14</li> </ul>	
	<b>Labor</b>		<b>Infrastructure</b>	
	<ul style="list-style-type: none"> <li>▪ Pension and OPEB changes through CETs A9</li> <li>▪ Health Plan A9b</li> <li>✓ Labor reform through CETs A10</li> </ul>		<ul style="list-style-type: none"> <li>✓ DDOT route rationalization completed A15</li> <li>▪ PLD - approval of Public Lighting Authority A16</li> <li>▪ Real estate management</li> <li>▪ Planning and development – plan completed A17</li> <li>× Employee Training</li> <li>✓ Demolition - completed agreement with State re. demolition A18</li> <li>▪ Permits A19</li> </ul>	

MILESTONE AGREEMENT	Memorandum of Understanding milestones	Ref.
	✓ Retained legal and restructuring advisors	B1
	✓ Completed review of cashiering operations	B2
	▪ Dependent audit commenced	A9b
	▪ Payroll outsourcing initiated	A4
	✓ Planning and development – plan completed	A17
	▪ Began reform of purchasing function	B3



CITY OF DETROIT

**Note:** Annex B includes 25 initiatives, schedule above reflects 28 initiatives as the four subcomponents of the Public Safety initiative are listed separately

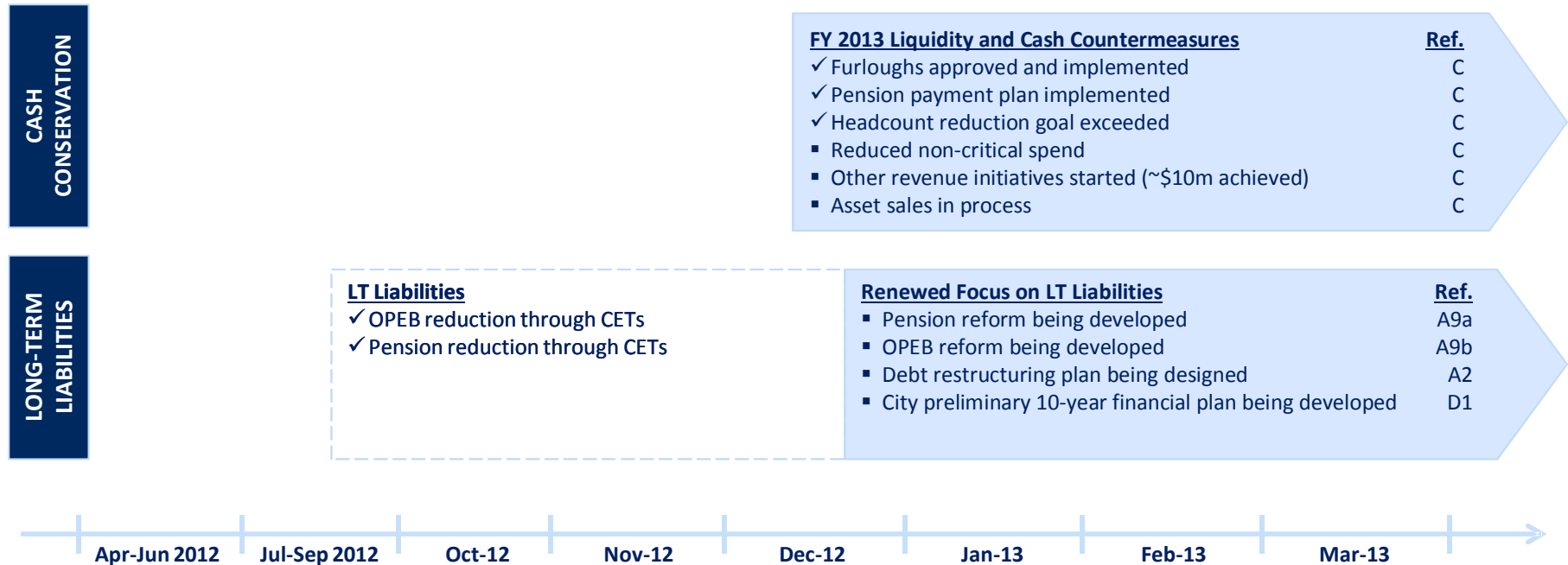
**DRAFT SUBJECT TO CHANGE**



# Progress Dashboard - The City has made significant progress during the last 12 months in the implementation of its Restructuring Plan

## Legend

- ✓ Completed
- In process
- × Limited progress



# Impediments / Barriers to implementation

## Charter issues

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- Barriers to implementing required reforms include
  - Charter
  - Labor issues

**Charter issues:** The following are some examples of conflicts based upon roles and responsibilities of elected officials and appointees, prohibitions against privatizations, and restrictions on modifying medical and pension plans:

1. Sections 7-802, 7-803, and 7-806 create a potential conflict between the Mayor, the Board of Commissioners, and the Police Chief. There have been instances where it was disputed as to who had the authority to make changes, such as towing requirements and reorganization, within the Police Department.
2. Section 7-1204 imposes limitations relative to water and sewage. It specifically prohibit the sell or disposing of any property needed to continue the operation of any city-owned public utility furnishing water and sewage unless approved by a majority vote of the voters. It prohibits granting public utility franchise for water and sewage that is not revocable by City Council unless approved by a two-third majority vote of the voters.
3. Section 7-1104 places the same limitations on the sell of the public utility furnishing transportation services as place upon water and sewage above.
4. Section 7-5-201 alters the traditional attorney-client relationship. The Corporate Counsel's client is the City of Detroit and operates independent of any branch of the City Government.
5. Section 7.5-208 makes the Corporate Counsel solely responsible for the enforcement of the Charter.
6. Section 11-101 and 11-102 indicates that accrued retirement benefits for actives and retirees are a contractual obligation and in no event be impaired or diminished. It also provides that retirement plans and governing bodies existing prior to the enactment of the Charter shall remain in effect unless changed by the Charter or an ordinance.
7. Section 11-103 gives active employees and retirees control of the Broad of Trustees of the General Retirement System and Police and Fire Retirement System. This has led to decisions requiring the City to provide additional funding to the pension funds.

## Impediments / Barriers to implementation

### Labor issues – duty to bargain

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The FSA signed under PA-4 provided the City with the tools required to make changes to labor contracts, with the following exceptions:

- Contracts not expired
- Contracts protected by 13(c)

The PA-4 repeal resulted in the City's duty to bargain being reinstated. The duty to bargain applies to all collective bargaining agreements, including:

- Contracts not expired
- Contracts protected by 13(c)
- All other bargaining units with CETs

The enactment of PA-436 will result in the elimination of the duty to bargain

#### **Duty to Bargain:**

- Section 15(1) of the Michigan Public Employment Relations Act requires public employers to bargain in good faith over “wages, hours and other terms and conditions of employment,” MCLA 423.21591. These are generally known as “mandatory subjects” of bargaining, which cannot unilaterally be altered by an employer absent bargaining to impasse. Some examples of bargaining subjects which have been determined by law to be mandatory subjects include:
  - Wages and salaries.
  - Salary step increases.
  - Healthcare benefits.
  - Pension benefits.
  - Promotion and transfer procedures.
  - Payment for union release time.
  - Seniority rights.
  - Cost of living adjustments.
  - Work rules, safety and health rules.
  - Length and reduction of work week (furlough days).
  - Subcontracting and outsourcing.



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## IV. Appendix

## A1. Income Tax Collection

Revenue enhancement: tax processing, compliance, and collection

City Status

External Factors Status

City: Jack Martin

Current Status / Action Taken	Cost-Benefit
<ul style="list-style-type: none"> <li>Compuware developed software to integrate IRS data with City's system to generate bills to individuals and businesses. ~5,000 letters were sent out from Jun '11 -May '12 to resident individuals who owed income taxes from 2006 to 2009 May 2010 – Sep 2012</li> <li>Newly created Income Tax Compliance &amp; Enforcement Unit Oct 2012</li> <li>Income Tax Amnesty Program Jan – Mar 2013</li> <li>Business on-line registration initiative to electronically capture W-2 data from employers Jan 2013</li> <li>JP Morgan Chase digital imaging and data capture project to reduce staffing needed for manual data entry Feb 2013</li> </ul>	<p><b>Cost</b></p> <ul style="list-style-type: none"> <li>~\$2m-\$3m one-time cost for new Income Tax system</li> </ul> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>For the first six months of the current fiscal year, income tax cash collections totaled more than \$133 million — up 7-percent from 2012</li> <li>\$870k in collections as of January 31, 2013 from letters sent to non-filers</li> <li>\$3m collections and \$1.5m in payment agreements expected from amnesty program</li> <li>~\$10m-\$20m opportunity from reverse commuters</li> <li>Improved reporting, efficiency and accuracy</li> <li>Better data sharing between City and State</li> <li>Additional collections through amnesty program</li> </ul>
Next Steps	Impediments/Needs
<ul style="list-style-type: none"> <li>Continue to send out letters to individual and business non-filers (Goal: 100,000 letters by the end of the fiscal year, 50,000 to date) Ongoing</li> <li>Pass legislation to require withholding of City income taxes for reverse commuters Ongoing</li> <li>Identify a new income tax system for January 2014 and request funding from Restructuring appropriation Mar 2013</li> <li>Explore feasibility of the City adopting the common form and grant funding from the State to pay for JP Morgan Chase to image and capture data from common form Mar 2013</li> <li>Send out ~350 letters to business non-filers Apr 2013</li> <li>Explore outreach/awareness campaign that will allow non-resident taxpayers with non-resident employers to voluntarily come forward and report unpaid taxes. In exchange for payment of tax and interest and future tax compliance, a limited look-back period and waiver of penalty will be offered Apr 2013</li> </ul>	<p><b>Impediments</b></p> <ul style="list-style-type: none"> <li>Ineffective legacy systems</li> <li>Limited resources available to execute multiple projects simultaneously</li> </ul> <p><b>Needs</b></p> <ul style="list-style-type: none"> <li>Continued support from the State of Michigan</li> <li>Broad constituent support to effect solutions</li> <li>Funding for any advisory and transactional costs</li> </ul>



## A2. Long-term Liability Restructuring

Improve credit rating & borrowing costs via optimal capital structure

City Status

External Factors Status

City: Andrews / Martin

Current Status / Action Taken		Cost-Benefit	
<ul style="list-style-type: none"><li>Various meetings held with State of Michigan Treasury representatives</li><li>Retention of restructuring advisors</li></ul>		<p><b>Cost</b></p> <ul style="list-style-type: none"><li>Unknown cost to optimize the City's Capital Structure</li><li>Transactional costs will be required</li></ul> <p><b>Benefits</b></p> <ul style="list-style-type: none"><li>Improved stability of cash flow</li><li>Elimination of threats to the City's solvency</li></ul>	
<p>Sep - Oct 2013</p> <p>Jan 2013</p>			
Next Steps		Impediments/Needs	
<ul style="list-style-type: none"><li>Evaluate options for dealing with capital structure</li></ul>		<p><b>Impediments</b></p> <ul style="list-style-type: none"><li>Existing fixed debt structure</li><li>City's deteriorated credit rating</li></ul> <p><b>Needs</b></p> <ul style="list-style-type: none"><li>Continued support from the State of Michigan</li><li>Broad constituent support to effect solutions</li><li>Advisors completing their assignments</li></ul>	
<p>Mar - Jun 2013</p>			

### A3. Revenue Cycle Initiative

Improve City cash flows via strategic review of key revenue sources

City Status

External Factors Status

City: Andrews / Martin

Current Status / Action Taken	Cost-Benefit
<ul style="list-style-type: none"> <li>Initiated internal and CM review of revenue processes across multiple departments Jan 2013 - on-going</li> <li>Preparing RFP for collecting current and past due receivables including simultaneously working with City Council to expedite approval process On-going</li> <li>Preparing RFP for to bring in temporary labor to assist with collecting current and past due receivables including simultaneously working with City Council to expedite approval process On-going</li> </ul>	<p><b>Cost</b></p> <ul style="list-style-type: none"> <li>Collections RFP(s) can be based on monies collected thus reducing costs</li> <li>Temporary labor can be inserted into labor intensive collection process “holes” freeing up full-time employees for higher benefit restructuring activities</li> </ul> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>Longer-term transformational changes will increase overall efficiency of the City and improve cash flow</li> <li>Improvement in collection rates on future revenue streams</li> </ul>
Next Steps	Impediments/Needs
<ul style="list-style-type: none"> <li>Continued review of revenue processes across all departments including listing of all revenue generating initiatives by department Mar - Apr 2013</li> </ul>	<p><b>Impediments</b></p> <ul style="list-style-type: none"> <li>Dependent on progress of other initiatives (efficient invoicing, A/R collections, and payment processing, etc.)</li> <li>Implementation across departments will require organizational support</li> <li>RFPs likely to receive labor union scrutiny</li> <li>Improved collections will require approval by City Council of Staffing and Collections RFPs</li> </ul> <p><b>Needs</b></p> <ul style="list-style-type: none"> <li>Hiring of temporary labor and collection agency</li> <li>Advisor to complete its reports and initiate action</li> <li>Assistance from Law Department in identifying all rights and remedies available to City to protect revenue stream</li> </ul>



## A4. Payroll system upgrade

### Payroll and benefits managed service project

City Status

External Factors Status

City: Patrick Aquart

Current Status / Action Taken	Cost-Benefit
<ul style="list-style-type: none"> <li>Converted Fire Department to centralized time-capture system (Workbrain) Jul 2012</li> <li>Socialized managed service project with City Council Sep 2012</li> <li>Developed and issued RFP Sep 2012</li> <li>Responded to vendor questions to prepare for pre-proposal conference Oct 2012</li> <li>Meet with unions impacted by project Oct 2012</li> <li>Oral demonstration to top 2-3 vendors (2 days) Oct 2012</li> <li>Vendor scoring internal meetings to determine final vendor selection (2 days) Oct 2012</li> <li>Selected vendor ADP approved by City Council Nov 2012</li> <li>ADP project kick-off Jan 2013</li> </ul>	<p><b>Cost</b></p> <ul style="list-style-type: none"> <li>\$5m one-time vendor start-up fee (up front payment may be required)</li> <li>~\$1.5m to back-fill employees working on implementation team</li> <li>~\$1.5m – decommission current systems</li> </ul> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>~\$10m – annual reduction in payroll processing costs</li> <li>~\$10m – annual reduction to payroll inflation from errors</li> <li>Improved reporting, efficiency and accuracy</li> <li>~50+ uniform policemen to be re-deployed</li> </ul>
Next Steps	Impediments/Needs
<ul style="list-style-type: none"> <li>Hold monthly steering committee review meetings of project on-going</li> <li>Convert Police, Library, and DDOT to Workbrain Jun 2013</li> <li>Implementation of managed service Apr 2014</li> </ul>	<p><b>Impediments</b></p> <ul style="list-style-type: none"> <li>Awaiting Act 312 ruling to begin analysis for configuration to convert Police to Workbrain</li> </ul>





## A5. Departmental Review

Organizational and cost analysis of key departments

City Status

External Factors Status

City: Kriss Andrews

Current Status / Action Taken	Cost-Benefit
<ul style="list-style-type: none"> <li>Engaged Plante Moran to implement improvements in Property Tax and Assessors Offices Dec 2012</li> <li>Engaged CM to identify and implement restructuring initiatives (primarily revenue cycle) and coordinate other restructuring initiatives for all City Department's Jan 2013</li> <li>CM performing in-depth reviews of department's issues and processes to identify initiatives for City Restructuring Plan Mar - May 2013</li> </ul>	<p><b>Cost</b></p> <ul style="list-style-type: none"> <li>~\$6m-\$7m for external professional assistance</li> <li>State is sharing in some of the cost</li> </ul> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>Validation of issues identified by previous consultants and City</li> <li>Identification of other issues not previously communicated</li> <li>Establishment of proper policies and procedures to enhance revenue cycle activities (billing &amp; collections)</li> <li>Identify opportunities for standardization of policies and procedures (primarily revenue cycle) across all departments</li> <li>Identify redundancies across all City Departments</li> </ul>
Next Steps	Impediments/Needs
<ul style="list-style-type: none"> <li>CM, Plante Moran, E&amp;Y, and PB continued in-depth review of all departments and development of restructuring initiatives On-going</li> </ul>	<p><b>Impediments</b></p> <ul style="list-style-type: none"> <li>Limited resources in the departments to operationalize improvement</li> </ul> <p><b>Needs</b></p> <ul style="list-style-type: none"> <li>Change agent resources in the various departments</li> <li>IT systems upgrades required to improve efficiency and information integrity</li> <li>Capital investments and maintenance required for property and equipment</li> </ul>



## A6. Workers Compensation Reform

Reduce the cost of Workers Compensation

City Status

External Factors Status

City: Andrews / Martin

Current Status / Action Taken	Cost-Benefit
<ul style="list-style-type: none"> <li>Initial meetings held with Risk Manager Sep 2012</li> <li>State of Michigan has been integrated into the process Sep 2012</li> <li>Resource assigned to pursue Initiative Oct 2012</li> <li>Informational meeting with HR held Nov 2012</li> <li>The City selected and the City Council approved Kessler International as the firm to advise the City on savings, efficiencies, and workplace safety improvements Dec 2012</li> <li>Kessler on site and given access to needed files and documents Jan 2013</li> <li>Initial report issued on preliminary findings Feb 2013</li> </ul>	<p><b>Cost</b></p> <ul style="list-style-type: none"> <li>Cost of the consultant; paid in part by the State</li> </ul> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>Lower claims costs</li> <li>Reduced injuries to employees</li> </ul>
Next Steps	Impediments/Needs
<ul style="list-style-type: none"> <li>Kessler provides consultancy services per their contract with the City On-going</li> </ul>	<p><b>Impediments</b></p> <ul style="list-style-type: none"> <li>Less than excellent practices around safety, compliance, and related enforcement issues</li> <li>Lack of resources to follow-up on workers compensation claims</li> </ul> <p><b>Needs</b></p> <ul style="list-style-type: none"> <li>Resources for the Initiative to change the culture on our employees</li> <li>Capital to address infrastructure needs</li> </ul>



## A7. Asset Initiative

Re-purpose or monetize unneeded assets of the City

City Status

External Factors Status

City: Kriss Andrews

Current Status / Action Taken	Cost-Benefit
<ul style="list-style-type: none"> <li>▪ The purpose of this initiative is to subject all assets of the city to a review to determine if they are being put to their best use or if they should be repurposed or monetized</li> <li>▪ Implemented lease consolidation plan to relocate into unoccupied space currently being paid for at CAYMC and/or into less expensive space Feb 2011</li> <li>• ~\$10 million of potential asset sales have been identified Feb 2013</li> <li>• Advisor retained to analyze potential for sale/monetization of significant City assets</li> </ul>	<p><b>Cost</b></p> <ul style="list-style-type: none"> <li>▪ The cost of the asset review will principally be in staff, management and Advisor time</li> </ul> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>▪ Some assets will be monetized in a way that will provide the City with more runway for its reform program</li> <li>▪ Some assets will be repurposed in a way that benefits the City</li> </ul>
Next Steps	Impediments/Needs
<ul style="list-style-type: none"> <li>▪ Establish an Oversight Committee that will determine which assets should be proposed for sale or repurpose Mar 2013</li> <li>• Continue to explore potential sale/monetization of significant assets</li> </ul>	<p><b>Impediments</b></p> <ul style="list-style-type: none"> <li>▪ Some resistance to selling or repurposing assets</li> <li>▪ Somewhat complex process of selling or repurposing City assets</li> </ul> <p><b>Needs</b></p> <ul style="list-style-type: none"> <li>▪ Staff support for the initiative</li> <li>▪ Assistance in determining the composition of the Oversight Committee</li> <li>▪ Establishment of the Oversight Committee</li> </ul>



## A8. Grants Management System

Centralize oversight and support and standardize IT

City Status

External Factors Status

City: Jack Martin

Current Status / Action Taken		Cost-Benefit	
<ul style="list-style-type: none"> <li>Interview grant departments and identify needs</li> </ul>	On-going	<b>Cost</b> <ul style="list-style-type: none"> <li>Training department executive/staff on dashboard</li> <li>Potential operating costs for grant management operating unit</li> <li>Required upgrades to DRMS systems prior to grants module implementation</li> </ul>	
<ul style="list-style-type: none"> <li>Reviewed process maps of departments grant management and previous internal efforts</li> </ul>	Oct-Dec 2013	<b>Benefits</b> <ul style="list-style-type: none"> <li>Ability to comprehensibly track city-wide grant funds and status</li> <li>Citywide accountability structure to prevent disallowed costs and improve service delivery</li> <li>Improved relations with federal, state, and private funders</li> <li>Ability to discover and apply for more grant opportunities</li> <li>Improvements to internal city procedures and policies that result in questioned costs or compliance concerns</li> </ul>	
<ul style="list-style-type: none"> <li>Draft core functions, personnel needs, organizational chart</li> </ul>	Jan 2013		
<ul style="list-style-type: none"> <li>Assessed grant management IT needs with staff</li> </ul>	Jan 2013		
<ul style="list-style-type: none"> <li>Phases I, II, and III of grants data dashboard complete.</li> </ul>	Feb 2013		
<ul style="list-style-type: none"> <li>Departments addressing federal single audit findings</li> </ul>	On-going		
<ul style="list-style-type: none"> <li>Develop vision and goals for unit</li> </ul>	On-going		
<ul style="list-style-type: none"> <li>Test current module capabilities with real grant data</li> </ul>	On-going		
<ul style="list-style-type: none"> <li>Demo scheduled</li> </ul>	Mar 2013		
Next Steps		Impediments/Needs	
<ul style="list-style-type: none"> <li>Explore routes to inclusion in budget</li> </ul>	Mar 2013	<b>Impediments</b> <ul style="list-style-type: none"> <li>Financial data systems must be upgraded prior to implementing grants unit</li> <li>Resource constraints mean a slower phase-in process is needed</li> <li>Legacy problems from prior grants management methods mean that old accounts cannot be transferred into new system; two tracks of monitoring will be needed until all existing funds are closed out</li> </ul>	
<ul style="list-style-type: none"> <li>Take problems identified during initial testing process and test solutions with partner departments</li> </ul>	Mar 2013	<b>Needs</b> <ul style="list-style-type: none"> <li>Potential funding for grants management operating unit</li> <li>Potential trainings for employees on data management system</li> <li>IT support for systems migration</li> <li>Strong goals, directives, and processes must be carefully developed and monitored and clearly communicated to ensure success and buy-in of grants unit</li> </ul>	
<ul style="list-style-type: none"> <li>Identify funding at risk due to Federal Sequester, develop response plan, and review with relevant agencies</li> </ul>	Mar-Apr 2013		
<ul style="list-style-type: none"> <li>Seek out peer city systems and request technical assistance</li> </ul>	Apr 2013		
<ul style="list-style-type: none"> <li>Align grant module needs with other city IT upgrades, including payroll</li> </ul>	Mar-Jun 2013		
<ul style="list-style-type: none"> <li>Staff grants management function</li> </ul>	Apr 2013		



## A9a. Pension Costs and Unfunded Liability

Reduce annual pension costs and long-term liability exposure

City Status

External Factors Status

City: Andrews / Martin

Current Status / Action Taken	Cost-Benefit
<ul style="list-style-type: none"> <li>External consultant/expert performed an initial analysis of medical and unfunded pension obligations Jul 2012</li> <li>External consultant/expert contract approved. Scope is to forecast liabilities for 10 years and recommend means to mitigate exposure Oct 2012</li> <li>Expanded contract approval for more substantive analysis of OPEB and pension Jan 2013</li> <li>CET related pension changes: reduction of multiplier, elimination of COLA, modification of Average Final Compensation Jan 2013</li> </ul>	<p><b>Cost</b></p> <ul style="list-style-type: none"> <li>External actuarial analysis to validate proposed changes and estimate impact on future liability and contributions</li> </ul> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>Reduction to annual pension contribution and improve funded status of pension plans; dollar impact to be evaluated</li> <li>Reduction in OPEB payments, and the cost of health insurance</li> </ul>
Next Steps	Impediments/Needs
<ul style="list-style-type: none"> <li>Obtain results of consultant's analysis Mar 2013</li> <li>Select plan to mitigate unfunded liability while minimizing City contribution Apr 2013</li> </ul>	<p><b>Impediments</b></p> <ul style="list-style-type: none"> <li>Legal challenges</li> <li>Pension Board governance</li> </ul>



## A9b. Health Benefits Costs / Dependent Audit

Reduce annual healthcare costs

City Status

External Factors Status

City: Patrick Aquart

Current Status / Action Taken	Cost-Benefit
<ul style="list-style-type: none"> <li>Medical plan design changes determined, presented to Benefits Board, and approved by City Council Sep 2012</li> <li>80/20 premium cost share implemented (effective as of 10/12 and 10/19 payrolls) Oct 2012</li> <li>City Council approved Aon-Hewitt for dependent audit Dec 2012</li> <li>Open enrollment process Dec 2012</li> <li>City Council approved 70/30 for non-union employees Dec 2012</li> <li>New plans become effective Jan 2013</li> <li>Update system for new enrollment selections Feb 2013</li> <li>Aon-Hewitt begins project Feb 2013</li> </ul>	<p><b>Cost</b></p> <ul style="list-style-type: none"> <li>~\$170k-\$300k for dependent audit service provider</li> </ul> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>~\$60m in annualized medical savings</li> <li>~\$10m in annualized savings from reduction of claims leakage expected to come from dependent audit (vendors estimate 2%-5% savings on total medical costs of \$260m)</li> <li>Reduction of OPEB liability</li> </ul>
Next Steps	Impediments/Needs
<ul style="list-style-type: none"> <li>Curtail dental and vision for retirees TBD</li> <li>Milliman analyzing further medical plan design changes Mar 2013</li> <li>Milliman to provide recommendations to reduce OPEB liability Mar 2013</li> <li>Medical design changes for contracts expiring 6/30/13 (DLPSA and DFFA) Jul 2013</li> </ul>	<p><b>Impediments</b></p> <ul style="list-style-type: none"> <li>Limited resources available to execute multiple projects simultaneously</li> <li>Current systems in place require highly manual processes</li> <li>Act 312 ruling delayed the closure of open enrollment for Police until Jan 2013</li> </ul>



## A10. CET – Labor Reform

Implemented employment terms on expired contracts

City Status

External Factors Status

City: Lamont Satchel

Current Status / Action Taken	Cost-Benefit
<ul style="list-style-type: none"> <li>▪ City employment terms approved by FAB Jul 2012</li> <li>▪ 10% wage and other reductions implemented Aug 2012</li> <li>▪ 80/20 medical premium sharing implemented Oct 2012</li> <li>• Pension changes to non-uniform Dec 2012</li> <li>• Open enrollment for new medical plans Jan 2013</li> </ul>	<p><b>Cost</b></p> <ul style="list-style-type: none"> <li>▪ None</li> </ul> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>▪ ~\$60 million in FY 2013</li> <li>▪ ~\$100 million in FY 2014</li> </ul>
Next Steps	Impediments/Needs
<ul style="list-style-type: none"> <li>▪ Design CET for unions with contracts expiring in June 2013 Jun 2013</li> <li>• Medical reform plan (see Healthcare slide) Mar-Jun 2013</li> <li>• Pension reform plan (see pension slide) Mar –Jun 2013</li> </ul>	<p><b>Impediments</b></p> <ul style="list-style-type: none"> <li>▪ Act 312 arbitration proceedings for uniform unions</li> <li>▪ Litigation against the City</li> </ul> <p><b>Needs</b></p> <ul style="list-style-type: none"> <li>▪ Approval for further CET implementation</li> <li>▪ Favorable outcome of Act 312 arbitration</li> </ul>

## A11a. Fire Department

Improve fire department metrics at a lower cost

City Status

External Factors Status

City: Don Austin

Current Status / Action Taken	Cost-Benefit
<ul style="list-style-type: none"> <li>Changes to staffing were implemented to reduce overtime Jul 2012</li> <li>Held initial meeting to discuss nature of initiative Sep 2012</li> <li>Determined an outside review of the Fire Department is necessary Sep 2012</li> <li>Objective of the review is to implement best practices and identify the ideal shift configuration for the Department Sep 2012</li> </ul>	<p><b>Cost</b></p> <ul style="list-style-type: none"> <li>It is not known how much cost will be required to optimize the Fire Department</li> </ul> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>It is believed measurable savings can be achieved by operating to best practices and an optimal shift configuration</li> </ul>
Next Steps	Impediments/Needs
<ul style="list-style-type: none"> <li>Select consultant to conduct external review On-going</li> <li>Improve key metrics: On-going               <ul style="list-style-type: none"> <li>Response times</li> <li>Fire load</li> <li>Injury rates</li> </ul> </li> <li>Implement CET once DFFA contract expires Jul 2013</li> </ul>	<p><b>Impediments</b></p> <ul style="list-style-type: none"> <li>Lack of one Union for all members of the Fire Department</li> <li>Strict seniority promotions in the Fire Department</li> <li>Disciplinary process in the Department is not effective</li> <li>Fire Fighters are not EMS dispatchable</li> </ul> <p><b>Needs</b></p> <ul style="list-style-type: none"> <li>External review requires approval and funding</li> <li>Capital needs</li> <li>Grant management capabilities</li> <li>Cost sharing funds for grants</li> </ul>





## A11b. Fire Authority Review

Potential creation of a regional fire fighting authority

City Status

External Factors Status

City: Don Austin

Current Status / Action Taken	Cost-Benefit
<ul style="list-style-type: none"> <li>Received verbal commitment from State of Michigan to move forward with review 6/22/12</li> <li>Initiated conversations with local municipalities to gauge interest (Harper Woods &amp; Highland Park) 6/22/12 &amp; 7/6/12</li> <li>Discussed concept with State's legal contact Steve Liedel (Dykema) 6/25/12</li> </ul>	<p><b>Cost</b></p> <ul style="list-style-type: none"> <li>TBD</li> </ul> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>Centralized regional fire fighting forces</li> <li>Savings to be determined</li> <li>Improved reporting, efficiency and accuracy</li> </ul>
Next Steps	Impediments/Needs
<ul style="list-style-type: none"> <li>Plan to consider a Fire Authority by March 31, 2013 On-going</li> <li>Continue discussions with interested municipalities TBD</li> </ul>	<p><b>Impediments</b></p> <ul style="list-style-type: none"> <li>Lack of funding mechanism to sustain Authority</li> <li>Possible resistance from City Council and leadership of other municipalities</li> </ul> <p><b>Needs</b></p> <ul style="list-style-type: none"> <li>State support</li> <li>Funding</li> <li>Capital requirements</li> <li>Determine window of opportunity to proceed</li> </ul>



CITY OF DETROIT

**DRAFT SUBJECT TO CHANGE**

## A12. Police Department

Assign more officers to street patrol and reduce crime

City Status

External Factors Status

City: Chester Logan

Current Status / Action Taken	Cost-Benefit
<ul style="list-style-type: none"> <li>Crime index matrix was developed with the goal of allocating officers based on district/precinct needs Oct 2010</li> <li>Verified response model attempts to address inefficiencies of responding to false alarms Jan 2011</li> <li>Civilianization and reorganization of positions has resulted in more officers assigned to street patrol Sep 2011</li> <li>Implemented 12 hour shifts to reduce overtime and increase the number of officers on street patrol per shift Sep 2012</li> <li>Changes in leadership Nov 2012</li> <li>Recent change focused on increasing police presence and personnel development Ongoing</li> </ul>	<p><b>Cost</b></p> <ul style="list-style-type: none"> <li>One time cost for external professionals to perform department review; scope of services being developed</li> <li>Deferred IT, Fleet and other infrastructure costs</li> <li>Backfilling administrative positions with civilians</li> <li>Full Implementation of Compstat</li> </ul> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>Identify and implement process improvements and cost saving opportunities</li> <li>Increased police patrolling</li> <li>Increased tactical policing</li> <li>Police will have necessary infrastructure to be effective</li> </ul>
Next Steps	Impediments/Needs
<ul style="list-style-type: none"> <li>External review by Conway MacKenzie On-going</li> <li>Developing RFP for Police expert to evaluate optimal Police Dept. structure . Will interface with Conway MacKenzie on restructuring effort Mar 2013</li> <li>Evaluate civilianization of maintenance, prisoner processing and dispatch functions On-going</li> <li>Encourage residents to participate in community policing On-going</li> <li>Become 95% compliant (currently 85%) with the two Federal Consent Judgments within 180 days On-going</li> <li>Implement Compstat On-going</li> <li>Evaluate infrastructure investment requirements On-going</li> </ul>	<p><b>Impediments</b></p> <ul style="list-style-type: none"> <li>Labor issues</li> <li>Funding</li> </ul> <p><b>Needs</b></p> <ul style="list-style-type: none"> <li>Act 312 award allowing civilianization (pending Act 312 proceeding)</li> <li>Funding for civilianized positions, IT, Fleet, other infrastructure needs</li> <li>Approval of external review</li> </ul>



## A13. Recreation Department

Minimize net tax cost with Rec. Authority while maintaining services

City Status

External Factors Status

City: Kennis Wooten

Current Status / Action Taken	Cost-Benefit
<ul style="list-style-type: none"> <li>Developed plan to move management of certain recreation assets to an Authority partially funded by City subsidy and partially funded by a fundraising campaign Jul/Aug 2012</li> <li>Walk-through conditional assessment of all recreation facilities in conjunction with potential operating partners to assess facilities and plan programming Sep 2012</li> <li>Continuing negotiations with potential municipal partner for the Authority. Dec 2012</li> </ul>	<p><b>Cost</b></p> <ul style="list-style-type: none"> <li>~\$10 million annual subsidy to Authority (versus current ~\$13 million net tax cost to run recreation department)</li> </ul> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>Reduce cost of recreation to City while maintaining recreation programming for the citizens of Detroit</li> <li>Improved programming to citizens by leveraging external operating partners</li> </ul>
Next Steps	Impediments/Needs
<ul style="list-style-type: none"> <li>Continue negotiations with municipal partner for the development of a recreation authority Apr 2013</li> <li>Continue fund raising efforts through the Active &amp; Safe Campaign to raise programming funds Ongoing</li> <li>Begin development of a long term plan for the Recreation Department and facilities to prepare for Authority development Feb -Jun 2013</li> <li>Develop agreement with potential operating partners outlining financial and operating responsibilities Feb –May 2013</li> </ul>	<p><b>Impediments</b></p> <ul style="list-style-type: none"> <li>Operating partners waiting to see the impact of FAB review on project and City before moving forward</li> </ul> <p><b>Needs</b></p> <ul style="list-style-type: none"> <li>Legislation decision – Find partner municipality to meet current legislation requirement to form an Authority or develop legislation amendment allowing a single municipality to form an Authority</li> <li>Continue fundraising to hit \$10 million annual target</li> <li>Approval from City Council on concept and path forward</li> </ul>



## A14. Transition Health and Human Services

Transition most service delivery to non-governmental entities

City Status

External Factors Status

City: Loretta Davis

Current Status / Action Taken	Cost-Benefit
<ul style="list-style-type: none"> <li>▪ Incorporated Institute for Population Health (501.c.3) Jun 2012</li> <li>▪ Established IPH staffing and processes, with State Jul 2012</li> <li>▪ Establish Health Department executive role Jun 2012</li> <li>▪ Service Agreement with GSD for facility until Herman Keifer Complex is evacuated Jul 2012</li> <li>▪ Transitioned Animal Control Center to Police Aug 2012</li> <li>▪ Continued payroll reduction due to RIF Fall 2012</li> </ul>	<p><b>Cost</b></p> <ul style="list-style-type: none"> <li>▪ Continued net tax cost for executive control</li> </ul> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>▪ Increased revenue collections from Vital Records</li> <li>▪ Improved reach from grant program expenditures</li> <li>▪ Decreased legacy obligations from grant-funded program personnel</li> <li>▪ Revenue from surplus materials if resources can be located to empty out Keifer Complex and stage the items</li> </ul>
Next Steps	Impediments/Needs
<ul style="list-style-type: none"> <li>▪ Process Improvement in Vital Records Unit Ongoing</li> <li>▪ Set performance benchmarks related to contract management Ongoing</li> <li>▪ Complete grant closeout for prior periods Ongoing</li> <li>▪ Set division of labor between department and Finance regarding grants management Ongoing</li> <li>▪ Complete move from Herman Keifer building Ongoing</li> </ul>	<p><b>Impediments</b></p> <ul style="list-style-type: none"> <li>▪ Manpower required to vacate City property from Keifer complex in order to accomplish decommissioning / sale</li> </ul> <p><b>Needs</b></p> <ul style="list-style-type: none"> <li>▪ Continued net tax cost for executive control</li> <li>▪ Identification and relocation to appropriately sized facility</li> </ul>



## A15. Department of Transportation

Reduce General Fund subsidy and improve service

City Status

External Factors Status

City: R. Freeland/B.  
Taylor

Current Status / Action Taken	Cost-Benefit
<ul style="list-style-type: none"> <li>Retained Parker Brinckerhoff (PB) to identify short-term and long-term efficiencies Jan 2013</li> <li>CM &amp; EY coordinating current efforts with PB on identifying short-term efficiencies to implement for immediate benefits Feb 2013</li> <li>Working with PB to identify potential candidates for Director and Deputy Director positions. On-going</li> </ul>	<p><b>Cost</b></p> <ul style="list-style-type: none"> <li>~\$1.5m – one time cost for interim management</li> </ul> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>TBD reduction in General Fund subsidy</li> </ul>
Next Steps	Impediments/Needs
<ul style="list-style-type: none"> <li>Consider an RFP to outsource portions or all the operations Mar – Apr 2013</li> <li>Prepare alternative restructuring scenarios; restructured stand-alone DDOT, merge with Smart, outsource with 3<sup>rd</sup> party Mar - Apr 2013</li> <li>Seek funding to compensate Director and Deputy Director positions at market rates Mar 2013</li> <li>Develop training program for finance, administration, marketing and purchasing staff Mar 2013</li> <li>Establish capital improvement program and routine preventative maintenance schedule Mar 2013</li> <li>Study and improve on-time performance and collaborate with SMART on scheduling Apr – May 2013</li> </ul>	<p><b>Impediments</b></p> <ul style="list-style-type: none"> <li>Below market rate salaries for senior management prevents department from hiring external, qualified candidates</li> <li>Civil service and collective bargaining agreements (13(c))</li> <li>Risk management costs (litigation and S&amp;A/LTD)</li> </ul> <p><b>Needs</b></p> <ul style="list-style-type: none"> <li>Revised salary scale and lack of ability to sign long term contract(s) with Director and Deputy Director</li> <li>Develop hiring process to maintain the required number of drivers to preserve service levels</li> <li>Additional funding for technology (AVL/bus camera) to improve service and safety</li> <li>Additional security on buses and at the facilities</li> <li>Mechanism to hire part-time drivers to meet peak demand while reducing costs of having excess capacity during lulls</li> </ul>



## A16. Public Lighting Department

Develop short- and long-term streetlight/electricity grid strategies

City Status

External Factors Status

City: Beau Taylor

Current Status / Action Taken	Cost-Benefit
<ul style="list-style-type: none"> <li>Hired departmental director Nov 2012</li> <li>Reached tentative reconciliation agreement with DPS regarding arrears Dec 2012</li> <li>Lighting Authority Articles of Incorporation sent to Council for adoption and recruitment of Board members Jan 2013</li> <li>Rate increases for largest institutional customers in effect for January billing cycle Jan 2013</li> <li>Meeting with senior managers to discuss rates and future energy policy Feb 2013</li> </ul>	<p><b>Cost</b></p> <ul style="list-style-type: none"> <li>\$1m in short-term, reimbursable loan to Authority until entity can capture UUT revenue</li> <li>\$5-10m OM expense to Authority, partially offset by reduction in PLD budget</li> </ul> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>\$3.5m of new revenue from rate increases to 3 major customers</li> <li>New lighting infrastructure that redistributes lighting footprint to the current centers of population</li> <li>Possible closing of City of Detroit's deteriorating electricity grid and transition of customers to third party supplier resulting in more reliable service and elimination of selling power at a loss</li> </ul>
Next Steps	Impediments/Needs
<ul style="list-style-type: none"> <li>Establish PLA including draft lighting plan and budget Feb-Mar 2013</li> <li>Add accounting capacity to PLD to increase collection capacity Mar 2013</li> <li>Establish policy on future of COD as an energy supplier Mar 2013</li> <li>Immediately start replacing bulbs when funding becomes available to Authority (or department) Apr 2013</li> </ul>	<p><b>Impediments</b></p> <ul style="list-style-type: none"> <li>Staff - Current lack of skilled staff to fulfill management functions and inability to hire appropriate staff from external candidate pool</li> </ul> <p><b>Needs</b></p> <ul style="list-style-type: none"> <li>Guidance on possibly exiting the electricity business</li> <li>Temporary staff to execute rate increase</li> </ul>



## A17. Planning and Development

Efficient and effective reorganization of all related services

City Status

External Factors Status

City: Karla Henderson

Current Status / Action Taken	Cost-Benefit
<ul style="list-style-type: none"> <li>Reduced staff from 152 to 120 without significant reductions in service levels 2011</li> <li>Successfully administered \$79.8m through 10 HUD federally funded programs 2012</li> <li>Implemented strategic changes to the housing rehabilitation program to align with Detroit Works Project 2012</li> <li>Sold over 500 properties Ongoing</li> <li>493 homes rehabilitated, including lead abatement Ongoing</li> <li>Leveraged over \$500m in private investment Ongoing</li> <li>Proposed revised scope of collaboration between DEGC, PDD, and CPC for Detroit Future City implementation Feb 2013</li> </ul>	<p><b>Cost</b></p> <ul style="list-style-type: none"> <li>Currently \$800,000 of PDD's general fund expense supports DEGC</li> <li>Loss of performance in prospective change to outside agency managing federal funds disruptive given aggressive federal funds reporting and performance cycles</li> </ul> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>Potential for general fund savings from CPC's current \$1.5 M appropriation by combining P&amp;DD and CPC</li> </ul>
Next Steps	Impediments/Needs
<ul style="list-style-type: none"> <li>Meet with Finance regarding fit of HUD grant management operation within citywide grants management initiative Mar 2013</li> <li>PDD writing scope of work for pilot outsourcing of housing rehab-related service delivery Mar 2013</li> <li>Hire second deputy director: one for Planning (Detroit Future City, zoning ordinance, review and coordinate plan); one for federal funds administration Mar 2013</li> <li>Collaborate with other city agencies to improve predictability and process for development review Apr 2013</li> <li>Fully implement and promote web based real estate sales and broker protected program May 2013</li> <li>RFP for exploration of alternative demolition model with recycling and deconstruction components May 2013</li> </ul>	<p><b>Impediments</b></p> <ul style="list-style-type: none"> <li>Complex overlay of current services includes land use planning and human services not previously in DEGC domain</li> <li>DEGC is a private corporation so legal constraints on assuming PDD's regulatory role in development approvals</li> <li>Union environment impedes performance accountability, promotion and pay for achievement rather than seniority system</li> </ul> <p><b>Needs</b></p> <ul style="list-style-type: none"> <li>Determine new staffing plan for planning function</li> <li>Fully capable web based real estate inventory and purchase procedures</li> <li>Combine CPC and PDD into singular integrated planning agency to reduce costs and improve outcomes</li> </ul>



## A18. Demolition

Stabilize neighborhoods and improve quality of life for residents

City Status

External Factors Status

City: Karla Henderson

Current Status / Action Taken	Benefit
<ul style="list-style-type: none"> <li>▪ Detroit City Council approved the Intergovernmental Agreement between the City of Detroit and the Michigan Land Bank Fast Track Authority (“MLBFTA”) Oct 2012</li> <li>▪ Coordinating demolition efforts with Pulte Foundation Ongoing</li> <li>▪ MLBFTA has demolished 179 structures Feb 2013</li> <li>▪ Conducted pilot of 10 neighborhood blocks with Blight Authority Feb 2013</li> </ul>	<p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>▪ Stabilize neighborhoods (property value and quality)</li> <li>▪ Improve safety</li> <li>▪ Reduce blight</li> </ul>
Next Steps	Impediments/Needs
<ul style="list-style-type: none"> <li>▪ Continue consolidation and integration of Police and Fire activity data to use strategic demolition activities to reduce public safety incident responses Ongoing</li> <li>▪ Continue to work with the State and other constituents to meet demolition needs Ongoing</li> <li>▪ Streamlining Fire Insurance Escrow demolitions to address the 20-year backlog Ongoing</li> <li>▪ In process of working with Blight Authority to identify Phase 2 of their process Ongoing</li> <li>▪ Amending several federal grant programs to increase demolition funding Ongoing</li> </ul>	<p><b>Impediments</b></p> <ul style="list-style-type: none"> <li>▪ Limited funding available</li> <li>▪ Growing number of dangerous structures</li> <li>▪ Complex approval process</li> <li>▪ Ability to enforce actions against negligent property owners and reimburse demolition and boarding costs</li> </ul> <p><b>Needs</b></p> <ul style="list-style-type: none"> <li>▪ Funding source to complete program goal</li> <li>▪ Funding sources for technology to improve communication and information gathering capabilities</li> <li>▪ Legal and financial resource to hold negligent property owners accountable for dangerous structures</li> </ul>





## A19. Permits

Increase revenue derived from permits issued by the City

City Status

External Factors Status

City: Jack Martin

### Current Status / Action Taken

- Ceased waiving permit fees Mar 12
- Held revenue initiatives kick-off meeting Sep 2012
- Initiated internal review of revenue processes at BSEED, inclusive of permits Sep 2012-on-going
- Law Department is reviewing how fees are assessed when property is transferred Nov 2012-on-going
- Conway Mackenzie developing recommendations on fee increases and collection efforts Jan 2013-on-going

### Cost-Benefit

#### Cost

- Use of personnel and Advisors for internal review
- Increased inspections and collection efforts will require additional personnel; department restructuring initiatives should enable backfilling with limited incremental cost

#### Benefits

- Increase fees to \$18m in annual permits and \$2m in business licenses currently billed per year
- Improved public safety due to increased inspection and enforcement of regulatory standards
- \$50m in BSEED A/R outstanding

### Next Steps

- Develop recommendations for action, including possible survey of businesses currently operating in the City and their outstanding permit requirements Ongoing
- Comprehensive fee survey to be completed that will identify all direct and indirect costs of running BSEED including costs of working with other departments Apr 2013
- Develop structured collection effort for \$50m outstanding A/R at BSEED

### Impediments/Needs

#### Impediments

- Limited personnel to conduct inspections, invoicing and collections
- Information sharing between license/permit granting departments is limited
- Current IT system deficiencies lead to bottlenecks in invoicing and collections

#### Needs

- Any change to the fee schedule would require City Council approval



## B1. Advisors Retention

Retain legal and restructuring advisors

City Status

External Factors Status

City: Kriss Andrews

Current Status / Action Taken		Benefit
<ul style="list-style-type: none"><li>▪ RFP for restructuring advisors</li></ul>	Nov/Dec 2012	<b>Benefits</b> <ul style="list-style-type: none"><li>▪ Analyze financial, operational and capital aspects of City’s current condition</li><li>▪ Develop City restructuring plan</li><li>▪ Assist City in discussions with key stakeholders</li><li>▪ Implement restructuring plan</li></ul>
<ul style="list-style-type: none"><li>▪ Restructuring advisors retention approved<ul style="list-style-type: none"><li>– Ernst &amp; Young</li><li>– Conway MacKenzie</li><li>– Miller Buckfire</li></ul></li></ul>	Dec 2012	
<ul style="list-style-type: none"><li>▪ Milliman retention approved</li></ul>	Jan 2013	
<ul style="list-style-type: none"><li>▪ RFP to retain legal restructuring advisors</li></ul>	Feb 2013	
Next Steps		Impediments/Needs
<ul style="list-style-type: none"><li>▪ Approval to retain Jones Day as legal restructuring advisor</li></ul>	Mar 2013	<b>Impediments</b> <ul style="list-style-type: none"><li>▪ None</li></ul> <b>Needs</b> <ul style="list-style-type: none"><li>▪ Require involvement of restructuring legal counsel</li></ul>

## B2. Cashiering

Improve processes for cash collections, handling, and safeguarding

City Status

External Factors Status

City: Andrews / Martin

Current Status / Action Taken	Cost-Benefit
<ul style="list-style-type: none"> <li>Initiated internal and CM review of processes across multiple departments Jan 2013 – On-going</li> <li>Independent consultant placed at Vital Records to manage identified process improvements Feb 2013 – On-going</li> <li>Formed collections team / task force Feb 2013</li> <li>Preparing RFP for collecting current and past due receivables On-going</li> <li>Reviewing processes and enhancement potential with bank partners, including credit card collections On-going</li> <li>Preparing RFP for to bring in temporary labor to assist with initiatives On-going</li> </ul>	<p><b>Cost</b></p> <ul style="list-style-type: none"> <li>Collections RFP(s) can be based on cash collected, reducing costs</li> <li>Temporary labor can be inserted into labor intensive collection process “holes” freeing up full-time employees for higher benefit restructuring activities</li> </ul> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>Improvement in collection rates on future revenue streams</li> <li>Longer-term transformational changes will increase overall efficiency of the City and improve cash flow</li> <li>Mitigate / eliminate shrinkage risk</li> </ul>
Next Steps	Impediments/Needs
<ul style="list-style-type: none"> <li>Continued review of collection and cash handling processes across all departments Mar - Apr 2013</li> <li>Continued assessment of controls and segregation of duties Mar - Apr 2013</li> </ul>	<p><b>Impediments</b></p> <ul style="list-style-type: none"> <li>Improved collections will require approval by City Council for Staffing and Collections RFPs</li> <li>IT infrastructure investment required to improve / enhance processes</li> <li>Implementation across departments will require organizational support</li> <li>RFPs likely to receive labor union scrutiny</li> </ul> <p><b>Needs</b></p> <ul style="list-style-type: none"> <li>Hiring of temporary labor and collection agency</li> <li>Collections team to complete its recommendations and initiate action</li> <li>Assistance from Law Department in identifying and utilize all rights and remedies available to City to protect revenue streams</li> </ul>



### B3. Purchasing

Decrease purchase prices and quantities to improve liquidity

City Status

External Factors Status

City: Andre DuPerry

Current Status / Action Taken	Benefit
<ul style="list-style-type: none"> <li>Letter from Mayor sent to all suppliers requesting 10% price reduction Dec 2011</li> <li>Continue price reduction negotiations beyond top 75 suppliers Ongoing</li> <li>Drive cost savings through competitive bidding for vendors refusing price concessions Ongoing</li> <li>Require Purchasing management to approve purchases greater than \$2k. Decrease number of personnel capable of initiating purchase requests Feb 2013</li> <li>Issued Purchasing cash conservation guidelines Feb 2013</li> </ul>	<p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>Reduce pricing of products and services purchased</li> <li>Improve controls on purchases made by the departments by reducing access</li> <li>Reduce A/P spend to improve liquidity</li> <li>Prioritized cost reduction strategy</li> </ul>
Next Steps	Impediments/Needs
<ul style="list-style-type: none"> <li>Implement procedures to prevent unauthorized purchases and only make purchases considered absolutely necessary Ongoing</li> <li>Adjust budgets to reflect price reductions Ongoing</li> <li>Monitor and report departmental purchases Mar 2013</li> </ul>	<p><b>Impediments</b></p> <ul style="list-style-type: none"> <li>Lack of City-wide centralized ordering system</li> <li>Poor performance regarding on-time payment for goods &amp; services resulting in reduced bid submissions, therefore reduced pricing competition</li> <li>A need to define critical City services that connects to critical Purchasing</li> </ul>



## C. FY2013 Liquidity and Cash Countermeasures

City Status

External Factors Status

City: Andrews / Martin

Current Status / Action Taken	Benefit
<ul style="list-style-type: none"> <li>▪ <b>Furlough</b> – one day every other week (i.e. 10% reduction) implemented for non-uniform general fund employees (~1,200 employees) Feb/Mar 2013</li> <li>▪ <b>Pension</b> – contribution deferral / payment plan Jan-Jun 2013</li> <li>▪ <b>Headcount reduction</b> – through layoffs, retirements, consolidation, and other attrition Jan On-going</li> <li>▪ <b>Vendor cuts</b> – Reduction of non-critical spending through elimination, conservation, and consolidation Mar 2013</li> <li>▪ <b>Revenue enhancement</b> – Collection of past due receivables, outstanding amounts owed, new grants, and improved billing Jan On-going</li> </ul>	<p><b>Cash improvement estimated between Jan-Jun 2013:</b></p> <ul style="list-style-type: none"> <li>▪ Furlough – \$2m permanent savings</li> <li>▪ Pension – \$52m primarily deferral of cost</li> <li>▪ Headcount reduction – \$11m permanent savings</li> <li>▪ Vendor cuts – \$2m permanent savings</li> <li>▪ Revenue enhancement – \$10m permanent savings</li> </ul>
Next Steps	Impediments/Needs
<ul style="list-style-type: none"> <li>▪ Negotiate terms of pension contributions after FY 2013 On-going</li> <li>▪ Weekly meetings to continue to monitor vendor spend and identify opportunities for further savings Weekly</li> <li>▪ Weekly meetings to continue to monitor collection of past due amounts owed and identify other areas for improved billing and collections Weekly</li> </ul>	<p><b>Impediments</b></p> <ul style="list-style-type: none"> <li>▪ Wage reductions through furloughs and attrition hamper productivity and present staffing challenges</li> </ul> <p><b>Needs</b></p> <ul style="list-style-type: none"> <li>▪ None</li> </ul>



## D1. Preliminary 10-Year Plan

Develop financial projections to serve as base for restructuring plan

City Status

External Factors Status

City: Jack Martin

Current Status / Action Taken	Benefit
<ul style="list-style-type: none"> <li>Collected historical information by department Dec 2012</li> <li>Assumptions discussed with various parties Feb 2012</li> </ul>	<p><b>Cost</b></p> <ul style="list-style-type: none"> <li>Restructuring advisors fees</li> </ul> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>Projections to be used as basis for restructuring plan</li> <li>Enhance clarity for path to fiscal stability</li> </ul>
Next Steps	Impediments/Needs
<ul style="list-style-type: none"> <li>Budget revenue recommendations and economic assumptions Mar–Jun 2013</li> <li>Budget meetings by department Mar 2013</li> <li>Updated medical and pension projections Mar-Jun 2013</li> <li>Operational efficiencies Mar-Jun 2013</li> <li>Capital investment and potential asset sales Mar-Jun 2013</li> <li>Long-term debt alternatives May-Jul 2013</li> </ul>	<p><b>Impediments</b></p> <ul style="list-style-type: none"> <li>Uncertainty about projected key metrics such as population, employment, personal income</li> </ul> <p><b>Needs</b></p> <ul style="list-style-type: none"> <li>Input from various sources</li> </ul>

